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R 071822Z DEC 06  
FM AMEMBASSY LA PAZ  
TO RUEHC/SECSTATE WASHDC 1583  
INFO RUEHAC/AMEMBASSY ASUNCION 6363  
RUEHSW/AMEMBASSY BERN 0124  
RUEHBO/AMEMBASSY BOGOTA 3687  
RUEHBR/AMEMBASSY BRASILIA 7553  
RUEHBUT/AMEMBASSY BUENOS AIRES 4807  
RUEHCV/AMEMBASSY CARACAS 2059  
RUEHPE/AMEMBASSY LIMA 2132  
RUEHM/AMEMBASSY MADRID 3216  
RUEHME/AMEMBASSY MEXICO 1955  
RUEHMN/AMEMBASSY MONTEVIDEO 4257  
RUEHNE/AMEMBASSY NEW DELHI 0069  
RUEHQ/AMEMBASSY QUITO 4696  
RUEHSG/AMEMBASSY SANTIAGO 9281  
RUEHKO/AMEMBASSY TOKYO 0267  
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHC/DEPT OF INTERIOR WASHINGTON DC  
RHEHNSC/NSC WASHINGTON DC

C O N F I D E N T I A L LA PAZ 003312

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STATE FOR WHA/AND LPETRONI  
STATE PASS TO DEPT OF AGRICULTURE  
USAID/LAC FOR AFRANCO, MSILVERMAN, RLOUDIS, AND JBISSON  
USAID/EGAT FOR CJELRON, ANE FOR JWILSON  
USDA/FS FOR AMOAD  
COMMERCE FOR JANGLIN  
TREASURY FOR SGOOCH

E.O. 12958: DECL: 12/06/2016

TAGS: EMIN EINV ECON PREL PGOV BL

SUBJECT: MORALES REPEATS VOWS TO NATIONALIZE FORESTRY,  
MINING

REF: A. LA PAZ 2431  
1B. LA PAZ 2780  
1C. LA PAZ 2976  
1D. LA PAZ 3032  
1E. LA PAZ 3161

Classified By: Charge d'Affaires Krishna R. Urs for reason 1.4 (d).

11. (U) Echoing past declarations, President Morales vowed December 5 to "recover" Bolivia's forests for the state and "nationalize" the mining industry in 2007. The announcement paralleled past threats to Bolivia's forests (ref A) and mineral resources (refs B and C).

12. (C) Comment: Morales' most recent threats will likely have no more immediate impact than those of the past. His announcement of an impending mining "nationalization" may further needle investors, but it is best viewed not so much as a reason to panic, but as further evidence of the GOB's policy incoherence, as it contradicts mid-November assurances from Minister of Mining Jose Dalence and other GOB officials that the government has no plans to nationalize the mining industry (refs D and E). This is not to say, however, that Morales will not eventually act. Experience in the hydrocarbons sector has shown that the president will follow through in at least a limited way on "nationalization" plans, and some change to the mining code and existing tax and royalty structures seems inevitable.

13. (C) Comment continued: Morales' announcement of plans to "recover" forestry resources for the state should likewise be treated as a threat with little immediate impact. Backed by

few concrete plans, it is likely little more than a statement delivered in the context of the GOB's usual populist rhetoric; it actually contradicts provisions of the November 28 land reform bill, which took steps to ensure respect for existing forestry concessions. But again, this is not to say Morales will not eventually act; if he does, he could undermine one of Bolivia's few success stories, putting at risk ten years and \$35 million of USAID assistance and threatening the country's position as the world leader in certified natural tropical forests (ref A). We will continue to monitor Morales' public statements for signs of hardening intentions toward either sector. End comment.

URS